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The Achilles Heel of Governance: Critical Capacity Deficits and Their Role in Governance Failures

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Abstract

This study assesses the usefulness of conceptions of policy capacity for understanding policy and governance outcomes. In order to shed light on this issue, we revisit the concept of governance, derive a model of governance types and discuss their capacity pre-requisites. A model of capacity is developed combining competences or skills over three levels of activities with analysis of resource capabilities at each level. This analysis is then applied to common modes of governance. While each mode requires all types of capacity if it is to be high functioning and match its theoretical optimal potential, most on-the-ground modes do not always attain their highest potential. Each mode has a critical type of capacity which serves as its "achilles heel'. That is, without high levels of this specific capacity it is unlikely to perform as expected. While some hybrid modes can serve to supplement or reinforce each other and cover off gaps in critical capacity sectors other mixed forms may exacerbate single mode issues. Switching between modes or adopting hybrid modes is therefore a non-trivial issue in which considerations of capacity issues in general and Achilles heel capacities in particular should be a central concern.

Introduction: Policy Capacity as the Achilles Heel of Governance

Efforts at policy reform have been omnipresent in many developed and developing countries over the past several decades. Many of these efforts have featured waves of management reforms and administrative re-structuring, privatizations, de-regulation and re-regulation and the like (Ramesh and Howlett, 2006). "Anything but the government", for example, has been a popular sentiment in public policy reform for at least two decades (Christensen and Laegreid 2008).

These reforms can often be characterized as efforts to shift governance styles between different modes of governing (Treib et al 2007). Initially, for example, the sentiment behind many reform efforts and coalitions in the 1980s and 1990s favoured transitions from government service delivery and regulation to more market-based types of governance regimes. Similarly in more recent years the tilt has shifted towards transitions from hierarchical and market forms of governance to more network-oriented governance relationships (Lowndes and Skelcher 1998; Lange et al 2013; Weber, Driessen and Runharr 2011).

Even more recent efforts at reform in many countries and sectors have sought to correct for or reverse excesses in 'de-governmentalization' from this era, often introducing hybrid elements into existing governance modes (Ramesh and Howlett 2006; Ramesh and Fritzen 2009). Many proponents, for example, claim 'collaborative governance' combines the best of both government- and market-based arrangements by bringing together key public and private actors in a policy sector in a constructive and inexpensive way (Rhodes 1997).[1] Many key sectors from health to education and elsewhere now feature elements of either or both hierarchical approaches – regulation, bureaucratic oversight and service delivery – as well as both market and network-based hierarchical and non-hierarchical approaches such as markets, voluntary organizations, and increasingly co-production (Brandsen and Pestoff 2006, Pestoff 2006 and 2012; Pestoff et al 2006).

Not all of these reforms have been successful (Ling 2002) and whether and how well such different modes of governance perform, we argue, is based in large part on their capacity requirements or pre-conditions (Howlett 2009). That is, each form of governance requires a high level of state and actor capacity in order to function effectively (Bullock et al 2001). Whether such capacity exists and how it is mobilized is a significant but little understood factor affecting the effectiveness and efficiency of any single governance mode (Canadian Government 1996).

In order to shed light on this issue, we revisit the concept of governance, derive a model of governance types and discuss their capacity pre-requisites. A model of capacity is developed which combines competences or skills over three levels of activities with analysis of resource capabilities at each level. This analysis is then applied to each main mode of governance and hypotheses related to key capacity needs is set out. As the analysis will show, each mode requires all types of capacity if it is to be high functioning and match its theoretical optimal potential. However while most on-the-ground modes do not always attain

their highest potential, each mode has a critical type of capacity which serves as its "*achilles heel*". That is, without high levels of this specific capacity it is unlikely to perform as expected. While some hybrid modes can serve to supplement or reinforce each other and cover off gaps in critical capacity sectors others mixed forms may exacerbate single mode issues. The consequences for policy making and governance reforms are then spelled out.

Governance Modes in Theory and Practice: Ideal Types, Hybrid Forms and Their Performance

Governing is what governments do: controlling the allocation of resources among social actors; providing a set of rules and operating a set of institutions setting out 'who gets what, where, when, and how' in society; and managing the symbolic resources that are the basis of legitimacy (Lasswell 1958).

In its broadest sense, "governance" is a term used to describe the mode of government coordination exercised by state actors in their efforts to solve familiar problems of collective action inherent to government and governing (Rhodes, 1997; de Bruijn and ten Heuvelhof, 1995; Kooiman, 1993 and 2000; Majone 1997; Klijn and Koppenjan, 2000). That is, *'governance' is about establishing, promoting and supporting a specific type of relationship between governmental and non-governmental actors in the governing process.* In modern capitalist societies this means managing relationships with businesses and civil society organizations also involved in the creation of public value and the delivery of goods and services to citizens (Hall and Soskice 2001).

Governance thus involves the establishment of a basic set of relationships between governments and their citizens. Although early models such as Pierre (2000), for example, distinguished between two only modes - state-centric "old governance" and society-centric "new governance" – and many economists similarly compared and contrasted only two types of "market" and 'hierarchical" relationships (Williamson 1975) - even with just these three

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basic sets of actors and relationships governance arrangements can take many shapes (Treib et al 2007). Other significant modes have been proposed by others such as Peters (1996), Considine and Lewis (1999), Newmann (2001), Kooiman (2003) and Cashore (2002) including types such as community-based 'network' governance and pure 'private' governance with little if no state involvement and which operate on 'network' as opposed to hierarchical or market-based relationships.

As Steurer (2013) suggested, the three basic governance actors can be portrayed as a interacting within a set of inter-related spheres of activity (see Figure 2) generating at least four ideal governance types (see Figure 1).

Figure 1 – Logic of Ideal Types of Governance after Steurer
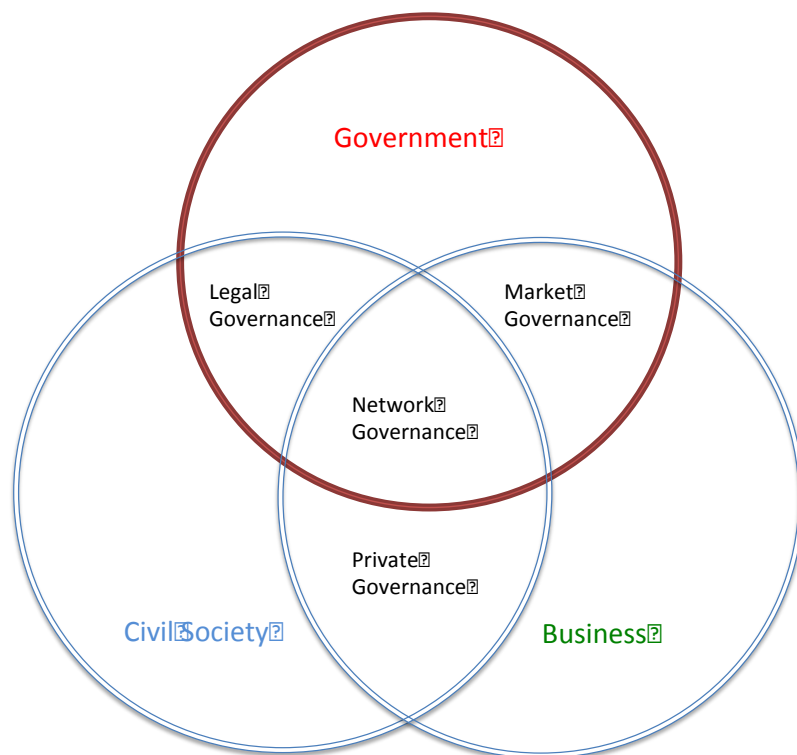
Source: Modified from Steurer 2013

Beyond these 'ideal types', however, other studies also identified a range of intermediate or 'hybrid' governance modes or styles existing between the two ends of the state-society or state-market spectrums put forward by Pierre and Williamson (Bevir and Rhodes 2003; Rhodes 2007). Considine (2001) for example, proposed four ideal types of 'public' governance styles by distinguishing between "legal" governance and "corporatist" governance while including market governance and network governance ideal types in his model (see Figure 2).

**Figure 2 – Ideal Type Modes of Governance following Considine**

Mode of Governance	Central Focus of Governance Activity	Form of State Control of Governance Relationships	Overall Governance Aim	Prime Service Delivery Mechanism	Key Procedural Tool for Policy Implementation
Legal Governance	Legality - Promotion of law and order in social relationships	Legislation, Law and Rules	Legitimacy - Voluntary Compliance	Rights - Property, Civil, Human	Courts and Litigation
Corporatist Governance	Management - of Major Organized Social Actors	Plans	Controlled and Balanced Rates of Socio- economic Development	Targets - Operational Objectives	Specialized and Privileged Advisory Committees
Market Governance	Competition - Promotion of Small and Medium sized Enterprises	Contracts and Regulations	Resource/Cost Efficiency and Control	Prices - Controlling for Externalities, Supply and Demand	Regulatory Boards, Tribunals and Commissions
Network Governance	Relationships- Promotion of Inter-actor organizational Activity	Collaboration	Co-Optation of Dissent and Self-Organization of Social Actors	Networks of Governmental and Non-Governmental Organizations	Subsides and Expenditures on Network Brokerage Activities

Source: Modified from Considine (2001)

Such distinctions proved useful in distinguishing between two different modes of state-centric governance found in European and Anglo-American systems. However the logic of hybridity is more extensive than put forward by Considine since different combinations of government, civil society and businesses exist and within a combination different sets of

actors have different 'strengths'. When variations on the strength of each actor in a governance relationship is included, this stretches to at least a dozen types (see Figure 3).

Figure 3 – Nuanced Model of Modes of Governance Including Variation by Actor Strength
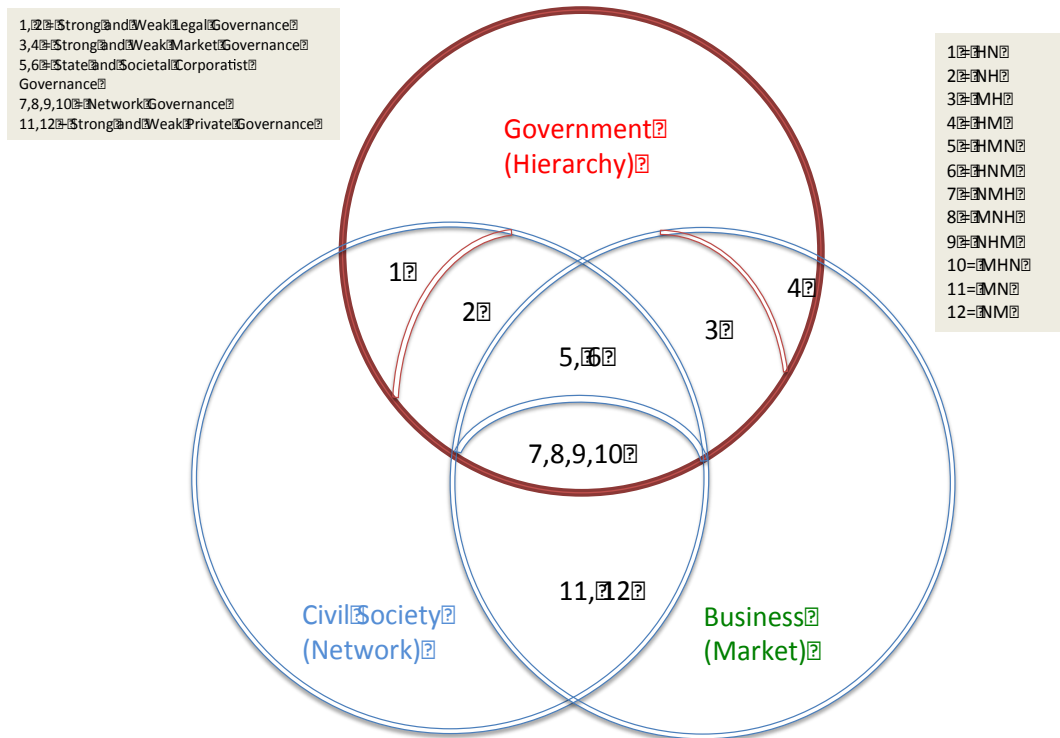
This added complexity might appear at first glance to make it difficult to assess the nature of success and failure in each mode and this initial insight is largely correct. However, some simplifications can be made. First, as Cashore (2002) noted, pure non-governmental governance arrangements such as those found in certification and private standard setting schemes are not in the public realm and need not always concern governments and those studying governmental or 'public' policy-making (see also Cutler et al 1999). Second, as Capano (2011) argued, in most cases of bilateral or trilateral governance arrangements the presence of hierarchy is overpowering and nuances pertaining to, for example, market and network leadership in bilateral legal and market regimes are less significant than in trilateral

arrangements where governments may be dominated by the presence of both market and network actors. That is, network and corporatist forms of governance modes exist as hybrids which are based on different mixes of coordination principles (hierarchy, market and network) (Meuleman 2010).

Thus, as Howlett et al (2009) and Tollefson et al (2012) noted, the substance of difference between governance modes lies in their plurilateral or hierarchical nature and state or society-centric nature. How these two factors relate to the main types of public governance relationships described in Figure 3 is set out in Figure 4 below.

Figure 4 – Matrix of Typical Public Governance Modes by Central Actor and Mode of Co-ordination

		Significance of State Role	
		Higher	Lower
Central mode of Co-ordination of Actors	Hierarchical	Legal Governance	(Hybrid) Corporatist Governance
	Plurilateral	(Hybrid) Network Governance	Market Governance

As Figure 4 shows, government is not just one of the possible actors in a governance mode but is often the central player either potentially or actually, whether it chooses to play that role or not. Even in the more extreme horizontal or plurilateral arrangements governance modes need to be 'steered' or led towards constructive, positive coordination. That is, the hierarchical government role in any governance arrangement may vary considerably, and change, but remains a core determinant and element of governance, rather than something existing in opposition to, or outside of, it. Government has the inescapable task of defining what governance is, or can be, and may choose to allow a higher degree of freedom to other policy actors with regard to the goals to be pursued and the means to be employed (Capano 2011).

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Hence the performance of any of the public governance modes set out in Figure 4 – that is, discounting the purely private forms outlines in Figure 1 - is affected by the "governance capacity" that the central actor enjoys: that is, by governments ability to exercise its role in the level of co-ordination that governance mode entails. In those modes of governance which feature an extensive government presence, the nature of that government's ability to steer or control governance relationships is a critical component of that mode of governance's operation and propensity to fail. The government's capacity to make and implement policies in particular is thus a key requisite of the effective operation of any mode of governance (Wu and Ramesh 2014).

At the extreme, for example, any effort to hollow out of "central government" weakens the ability of a government to undertake a "command and control" approach to policy-making and hence also undermines the ability of any legal or market form of governance dependent on such instruments to function effectively. Governments (conceived as central political institutions) may find themselves overburdened with economic problems or social demands so that 'hierarchical governance' – that is, a policy framework whereby the most important actors are governments and the state implements policies by ordering and sanctioning – may no longer prove to be an efficient or effective form of governance. Hybrid corporatist and 'network' governance modes in which the size and resources of the state typically greatly outreach those of other network actors and thus can continue to dominate those actors in any governance relationship also encounter such dynamics and public policy performance issues (Osborne 2006).

Governance Modes and Their Propensity to Fail: Defining Actor Capabilities and Competences in Policy Capacity

The policy capacity of a governance mode is hence a key indicator and requisite of governance success. The term describes the preconditions a government requires in order to

make sound policy choices and implement them effectively in achieving its potential to steer a governance mode. This is a broader definition than the widely-used one offered by Painter and Pierre (2006) who focus their attention on capacity for policy formulation rather than both formulation and implementation in their definition of the term as: "… the ability to marshal the necessary resources to make intelligent collective choices, in particular to set strategic directions, for the allocation of scarce resources to public ends." Theirs is an unduly restrictive definition, as policy capacity is not only about the ability to formulate and make policy choices but also to implement them and evaluate their performance.

Policy capacity is at heart a function of three competences or skills which affect the ability of governments in their relationships with other governance actors: analytical ones which allow policy alternatives to be effectively generated and investigated; managerial ones which allow state resources to be effectively brought to bear on policy issues; and political ones which allow policy-makers and managers the room to manouevre and support required to develop and implement their ideas, programs and plans (Wu et al 2010; Tiernan and Wanna 2006; Gleeson et al 2009; Gleeson et al 2011; Fukuyama 2013; Rotberg 2014).

These skills or competences are crucial to policy and governance success. However they also rely on the their availability and the availability of adequate resources to allow them to be mobilized. Resources or capabilities must exist at the individual level which allow individual policy workers (Colebatch 2006; Colebatch et al 2011) and managers (Howlett and Walker 2012) to participate in and contribute to designing, deploying, and evaluating policies. It includes not only their ability to analyse but also to learn and adapt to changes as necessary. Resources must also be available at the level of the organization. These are aspects of the structure and make-up of policy-relevant organizations that affect their members' ability to perform policy functions come. Organizational features that unduly circumscribe individual decision capabilities or morale among policy workers, for example, can undermine

an agency's ability to acquit its functions. The organizational conditions most relevant to policy capacity include those related to information, management, and political support (Tiernan and Wanna 2006; Gleeson et al 2011). Finally, system level capabilities include the level of support and trust a public agency enjoys from its political masters and from the society at large (Blind 2006). Such factors are critical determinant of organizational capabilities and thus of public managers' capability to perform their policy functions. Political support for both from both above and below are vital because agencies and managers must be considered legitimate in order to access resources from their authorizing institutions and constituencies on a continuing basis, and such resources must also be available for award in the first place (Painter and Pierre 2005).

Nine Specific Components of Competence and Capabilities Integral to Policy Capacity

The nine components of policy capacity involving these three sets of skills or competences and the three locations of resources or capabilities needed for their exercize are set out below. First dealing with analytical competences, governments must have the individuals with the ability to acquire and use and internal external knowledge (Cohen and Levinthal, 1990; Ouimet et al. 2010) as well as (1) "*policy analytical capacity*" which refers to the ability to access and apply technical and scientific knowledge and analytical techniques (Howlett, 2009a; Riddell 1998). What governments do, indeed can do, and the likelihood of their success depend critically on their policy analytical skills in diagnosing problems and developing appropriate strategies for addressing them. Evidence-based policy making, for example, requires that agencies have the necessary absorptive capacity at the individual level, which refers to their ability to absorb and process information or evidence in recognizing, formulating, deciding upon, implementing and evaluating policy. Governments are often do not use evidence even when it is available due more to lack of skills rather than intention (UK Cabinet Office 1999; Grimshaw et al., 2012; Howlett, 2009). The lack of internal capacity in

this area cannot be easily offset by appointing external consultants because it requires considerable technical skills even to develop terms of reference for consultants, assess their output, and put them into practice (Howlett and Migone 2013).

They must also have the (2) '*organizational information capacity*' to allow an effective information and policy analysis system, which plays a critical role in effective formulation, implementation, and evaluation of public policies, to operate (Tiernan 2011; Craft et al 2013). Analytical skills are especially important in the context of the present emphasis on evidence-based policy which requires not only the ability to analyze data but also its availability in a timely and systematic manner (Davies et al, 2000). An effective information systems can play a pivotal role in enhancing overall governance and policy capacity if properly designed and implemented. This refers to the architecture for collecting and disseminating information within and across public sector agencies. An effective information system for the policy development allows finding and sharing of information more quickly and provide for re-use of existing information without duplication of efforts. There is often a vast amount of information on policy experiences stored across countless sites in an organization that can offer insights into the range of policy options available and their real life consequences. Collating the information and making it accessible to other policy makers brings great benefits to governments at small cost (Kwaterski 2010). A good system can also accelerate innovation as users connect and collaborate more easily and frequently and connect governments to people by facilitating popular input into the policy process and the delivery of public services (Moon et al 2014; Akeroyd 2009).

Internally, information technology offers vast potential for improving integration and coordination within the public sector while enhancing the use of other analytical skills (Ambali, 2010). Another vital function for which ICT has tremendous potential is maintaining institutional memory within an organization and promoting policy learning.

Policy learning and policy emulation is a vital part of the policy-making and policy managers need broad understanding of the policy practices and their performance in other countries, agencies, and sectors (Huber 1991; May 1999).Increased emphasis on accountability, transparency, and participatory government has similarly accentuated the importance of information technology and the state of the knowledge system present in a jurisdiction or society (Oh 1997).

At a larger level, the nature of the knowledge system in society or (3) *"knowledge system capacity"* is also a significant element of overall policy and governance capacity. This refers to the general state of educational and scientific facilities in a society, the availability, speed and ease of access generally to high quality information. Although many aspects of this type of capacity may be difficult to change or beyond the scope of individual government organizations and individual actors, they rely upon it implicitly and explicitly in order to perform their own analytical tasks effectively.

Managerial competence is also a high priority if policy capacity is to be enhanced or exercized effectively. At the level of individual managers, (4) *"managerial expertise capacity"* or their ability to perform key managerial functions - such as planning, staffing, budgeting, and directing – is a vital determinant of the government's overall policy capacity (Howlett and Walker 2011; Hicklin and Godwin 2009). In a survey conducted by the National Association of Schools of Public Affairs and Administration (Zhang, Lee and Yang, 2012), city and county managers reported the following as the most important individual competencies and management skills needed in local government):

Communication skills;
Leadership;
Teamwork;
Budgeting and Financial management.
Decision-making and problem solving;
Ethics and integrity

Communication skills in particular must also be available in abundance. Internally, organizations must communicate their goals, operational plans, and operating procedures to their employees and, no less importantly, must give the latter a say in shaping them (Kuipers et al 2013; Matland, 1995). Leadership appears high on the ranked list of skills for public managers not only in the above survey but also in similar surveys in Manitoba (2001) and New Zealand (State Services Commission 1999). Research shows that leadership is especially critical if groups are to assume new challenges and devise new strategies for meeting them.[2] Developments in information technology have facilitated internal communication and augmented some aspects of managerial capacity but also pose new challenges, as mentioned in the preceding section. Modern managers also need a modicum of expertise in budgeting, accounting, and human resource management in order to perform effectively. These are skills that can be imparted by organizations and acquired by managers. There are established training programs of varying quality to train managers in principles of public sector accounting and skills in comprehending the balance sheet, cash flow statement, accrual accounting, and managerial cost accounting.

As was the case with analytical competences, managerial capacity extends beyond individual skill sets, however, to the organizational and system-levels. At the organizational level, managers need (5) *"administrative resource capacity"* in order to function effectively (Edwards 2009; Craft et al 2013). This is a well known aspect of capacity and comprises the funding and staffing levels within which managers work as well as the nature of intra- and inter-agency communication, consultation, and coordination (Peters 2001). At the system level, how well managers perform also depends on (6) *"accountability and responsibility system capacity",* that is, how well they are trained and recruited, having career systems which promote competence and the presence of clear rules of law and engagement characteristic of Weberian administrative systems (Howlett 2004).

Necessary skills and competences go beyond the analytical and managerial to the level of political competences. In the public sector beyond leadership and negotiation skills, conflict resolution, and financial and human resources management, a key skill required of policy actors is political knowledge and experience or (7) *"policy acumen capacity"* (Wu et al 2011). This is a combination of what Head (2008) calls 'political knowledge' and what Tenbensel (2008) termed 'practical wisdom'. Policy acumen allows policy managers to develop quick judgment on the desirability and feasibility of different policies: what will be considered feasible or acceptable by managers, politicians, stakeholders or the public, what will not, and why. A keen nose for politics not only within but also the broader environment is essential for policy actors to be able to play an effective role in the policy process. Identifying the key actors and understanding their essential interests and ideologies as well as the relationships among them are essential traits of successful public managers. So is an understanding of the political trade-offs necessary for an agreement among contending actors and interests. Understanding of the key stakeholders, their key interests, and their strategies and resources is a key component of the political acumen capacity on the part of individual policy actors.

At the organizational level factors such as the existence of a good working relationship or 'public service bargain' between ministers and the public service are central to (8) *"organizational political capacity"* and effective governance (Salmonsen and Knudsen 2011). In principle, ministers are usually in charge of policy and the bureaucracy in charge of administration, although there is often no such clear distinction between the two roles in practice. Ministers need to remember that their function is to set directions and priorities and should not be involved in day-to-day operation. Involvement in their agencies' routine operational matters is viewed as meddling which undermines public service's morale. At the same time, all must work within an accountability system in place to ensure that the decisions

are carried out and performance is rewarded or punished appropriately.[3] Similarly it is also important for the political executive to state their position on policy issues and express support for the officials implementing their policies. But their interventions in routine implementation need to be strategic and to avoid perceptions of ad hoc meddling, which undermines public managers' morale and saps their operational capacity. Public managers, on the other hand, need to remember that their task is to carry out their minister's priorities and decisions neutrally and professionally.

Communication with stakeholders and the general public is essential for policy and governance effectiveness because it enhances awareness, understanding, and support for government policies. Skillful communication can increase support for government's policy objectives and make the task of governance easier and more effective (CommGAP, 2009).To succeed, governments need to define the issue and draw the public into focussing on it and actively contributing to its resolution (Post, Salmon and Raile, 2008). Without communication structures and processes which enable the two-way exchange of information between state and citizens, it is difficult to imagine how states can be responsive to public needs and expectations. Crucially, two-way communication allow citizens to monitor the states' activities, to enter into dialogue with the state on issues that matter to them, and to influence political outcomes." [http://www.gsdrc.org/go/topic-guides/communication-and-governance/the-role-of-communication-in-governance-and-development]. Strategies and tools for two-way communication with the public include "public interest lobbying, facilitating networks among like-minded political elites, building coalitions, and measuring and informing public opinion" (Haider, Mcloughlin and Scott 2011).

At the system level, a significant aspect of policy capacity is (9) *"political-economic capacity"*. This extends beyond the wealth and resources a jurisdiction has to the presence of legitimacy and trust in government on the part of stakeholders and the public. Two-way

communication with citizens is a complex web of "interlocking structures, processes, and practices"(World Bank 2011). For meaningful two-way communication to occur, governments need to create a public space where citizens can discuss and debate issues that matter to them with the aim to influencing policymakers. Public discussion and debate in the policy process helps to increase public awareness of the issues and provides a sense of ownership of reform. This requires an active civil society, an independent media, and freedom of speech and assembly (Haider, Mcloughlin and Scott 2011). Freedom of information or right to information is increasingly viewed as an essential precondition for citizens to participate in the policy process.

The nine elements of capacity in this schema are set out in Figure 5 below.

Figure 5 - Dimensions And Levels Of Policy Capacity

Resource Level Skill Dimension	INDIVIDUAL CAPABILITIES	ORGANIZATIONAL CAPABILITIES	SYSTEM CAPABILITIES
Analytical Competences	**Policy Analytical Capacity** Knowledge of policy substance and analytical techniques and communication skills	**Organizational Information Capacities** Storing and Disseminating Information on client need; service utilization; Budgeting, Human Resource management. E-services.	**Knowledge System Capacity** Presence of high quality educational and training institutions and opportunities for knowledge generation, mobilization and use.
Managerial Competences	**Managerial Expertise Capacity** strategic management, leadership, communication, negotiation and conflict resolution, financial management and budgeting	**Administrative Resource Capacity** Funding, staffing, levels of Intra- and inter-agency communication, consultation, and coordination.	**Accountability and Responsibility System Capacity** Presence of rule of law and transparent adjudicative and career systems
Political Competences	**Political Acumen Capacity** Understanding of the needs and positions of different stakeholders; judgement of political feasibility; Communication skills	**Organizational Political Capacity** Effective Civil Service bargain. Politicians' support for the agency programmes and projects. Levels of Inter-organisational trust and communication	**Political-Economic System Capacity** Presence of Public Legitimacy and Trust; Adequate fiscal system to fund programs and projects; Access to information

Source: Modeled after Wu et al 2010 and Tiernan and Wanna 2006

Critical Capacity Deficits and Their Links to Governance Failures: The Achilles Heel of a Governance Mode

In recent years, as pointed out above, the default reform often adopted in practice by government seeking to improve upon hierarchical governance is to turn to a market or network mode of governance. In contrast to networks, the adoption of market governance arrangements, in at least their simplest form, is relatively easy because all the government has to do is reduce its involvement in the provision of goods and services in question with the expectation that the market would fill the void. In all likelihood, however, the resulting market will be both inefficient and inequitable due to the deep market failures that characterize many sectors and activities and prevent markets from functioning efficiently or effectively (Weimer and Vining 2009).

That is, in order to function effectively markets require tough but sensible regulations that are diligently implemented, conditions that are difficult to meet for most governments due to lack of analytical, managerial, and/or political competences or capabilities. Without adequate capacity to regulate the sector, governments may turn to subsidizing users and particularly providers. While such subsidies can improve access and may be politically expedient, they are vulnerable to explosion in costs that will undermine the long-term viability of the regulatory system.

In such circumstances hierarchical governance need not be as dysfunctional as stylized descriptions by proponents of market and network governance may suggest and, in fact, may be superior to the alternatives (Hill and Lynn 2005; Peters 2004). A health care system characterized by government provision and financing supplemented by capped payment, for example, is an effective means of delivering health care at affordable cost (Li et al 2007). There are of course inherent limitations to command and control, the adverse effects of which may be contained through offsetting measures in some instances. Thus, market competition in standardized services or when consumer preferences are diverse may improve

efficiency without compromising access. Similarly, network governance may perform well when dealing with sensitive issues such as aspects of health or education when trust and understanding is paramount (Pestoff et al 2012). In other instances civil society may not be well enough constructed or resourced to be able to create beneficial network forms of governance (Tunzelmann 2010).

'Governance failures' is a new term in the literature, which is a useful way to describe these situations, and others, which occur when the requisites of a governance mode are not met or, to put it another way, when the capacity of a mode is outstripped by the need for policy action. It joins the policy studies lexicon along with terms such as 'government failures', 'market failures' and the much less known "network failures" described above (Le Grand 1991, Wolf Jr 1987, Weimer and Vining 2011; Weiner and Alexander 1998, Provan and Kenis 2008; Tunzelmann 2010; Uribe, 2012).

The three main types of governance failures and their relationship to capacity gaps are summarized in Figure 6 below.

Figure 6 – Types of Governance Failures

Mode Of Governance	Type of Failure	Examples of Capacity issues	Sources
Hierarchical	Government Failure	Information gaps; lack of incentives; Political interference	Le Grand (1991), Wolf Jr (1987), Weimer and Vining (2011)
Market	Market Failure	Externalities; Information asymmetries; Credible commitments	Pigou (1948), Wolf Jr (1987), Weimer and Vining (2011)
Network	Network Failures	Difficult to establish in places without experience with it. Poor steering capacities. Weak associational structures.	Tunzelmann 2010, Weiner and Alexander 1998, Provan and Kenis 2008

In general, governments would like to enjoy high levels of capability and competence in all aspects of capacity in order to enjoy high capacity to perform their policy functions. Shortcomings in one or a few of the dimensions may be offsets by strengths along other

dimensions but no government can expect to be capable if lagging along many dimensions (Tiernan and Wanna 2006).

Some shortfalls in capacity are especially critical in specific modes of governance, however, and constitute the 'achilles heel" of each of the four main modes of public governance set out in Figure 2.

Menahem and Stein (2013) have outlined some of the critical capacity issues in the case of network governance relations, identifying the capacity pre-conditions for high, medium and low performing network governance relationships (see Figure 7 below).

Figure 7 – Capacity Links to Network Governance Requirements after Menahem and Stein

	Low-capacity governance networks (LCGN)	Medium-capacity governance networks (MCGN)	High-capacity governance networks (HCGN)
Steering the composition of networks: Public actors' ability to select partners	Limited	Medium	High
Steering of goals, objectives, and scope: Public actors' ability to determine goals and scope of network	Challenged	May be compromised	Retained
Professional steering ability: Public actors' ability to retain professional considerations in decision-making	Non-public actors' preferences dominate decision-making regarding service provision	Public actors negotiate with non-public actors over professional considerations in service provision	Public actors' professional considerations have primacy in decision-making regarding service provision
Quality and quantity of resources generated by the network	Low	Medium	High
Overall capacity of the network to generate and activate resources	Low	Medium	High

Source: Menahem and Stein 2013

Networks will fail when governments encounter capability problems at the organizational level such as a lack of societal leadership, poor associational structures and weak state steering capacities which make adoption of network governance modes

problematic. As Keast, Mandell and Brown (2006) note, at the level of competences, networks also raise severe managerial challenges: "Networks often lack the accountability mechanisms available to the state, they are difficult to steer or control, they are difficult to get agreements on outcomes and actions to be taken, and they can be difficult to understand and determine who is in charge". A recurrent problem faced by efforts to utilize network governance is that the routines, trust, and reciprocity which characterize successful network management (cf Klijn and Koppenjan 2012) take a long time to emerge. Such relationships cannot simply be established by fiat as in the case with hierarchy or emerge spontaneously in response to forces of demand and supply, as in markets. Networks are thus hard to establish where none exist already and a very critical capacity issue for them is "managerial expertise capacity".

Legal systems of governance similarly also require high level of managerial skills in order to avoid diminishing returns with compliance or growing non-compliance with government rules and regulations (May 2005). Thus for example, while there have been advances in identifying the key traits of effective manager, little is known about how to train managers to be effective leaders and this is especially crucial in hierarchical modes of government featuring direct government direction and control.

Downfalls in system level capabilities are also crucial in this mode of governance. Recruiting and retaining leaders is somewhat difficult for the public sector for a variety of reasons (British Cabinet Office, 2001). The cumbersome accountability mechanisms in place in the public sector promote risk aversion, whereas risk-taking is an essential trait of leaders. The culture of blame for failures is another factor that stymies leadership in the public sector (Hood 2010). The unclear division of responsibilities between elected and appointed officials also makes it difficult for the latter to exercise leadership. These barriers need to be comprehended and addressed if leadership is to improve and this element of policy capacity

enhanced. Thus for legal modes of governance a critical capacity issue is accountability and responsibility system capacity (Aucoin 1997).

For corporatist regimes, the importance of efficient administrative structures and processes and the vital importance of coordination therein, cannot be overstated. Inspired by conceptions of chain of command in the military, corporatist regimes stress hierarchy, discipline, due process, and clear lines of accountability. Unlike markets where prices seamlessly perform coordination functions, this must be actively promoted in corporatist forms of government and combined with political skills in understanding stakeholder needs and positions (Berger 1981; Lehmbruch and Schmitter 1982). At the level of capabilities, corporatist modes of governance require a great deal of coherence and coordination to function effectively due to horizontal divisions and numerous hierarchical layers found in their bureaucratic structures (Lehmbruch and Schmitter 1982; Wilensky and Turner 1987). Hence for such this mode of governance "organizational political capacity" is critical and a *sine qua non* of its successful performance.

As for market governance, as already mentioned above, technical knowledge is a critical competence required for its administration. Analytical skills at the level of individual analysts and policy workers are key here and the "policy analytical capacity" of government needs to be especially high to deal with complex quantitative economic and financial issues involved in regulating and steering the sector and preventing crises (Rayner et al 2013).[4]

Each of these gaps highlights the need for adequate capacity in these critical areas if a governance system to achieve its potential. Specific governance modes are prone to specific types of failure caused by specific capacity shortages in critical areas required for that mode to function. Re-visiting the nine components of capacity set out Figure 5 above, the 'critical' capacity element in each mode is set out in Figure 8 below.

Figure 8 – Critical Competences and Capabilities of Governance Modes

Mode	Critical Competence Level	Critical Capability Level	Critical Capacity Element
Legal	Managerial	System	**Accountability and Responsibility System Capacity**
Market	Analytical	Individual	**Policy Analytical Capacity**
Corporatist	Political	Organizational	**Organizational Political Resource Capacity**
Network	Managerial	Organizational	**Managerial Expertise Capacity**

Conclusion: Policy Capacity Deficits and Governance Performance

Practical experience and ideological predilections have shaped the substance of much of the debate on governance, ranging from preferences for democracy, popular participation and consensus to concerns about budget deficits and public sector inefficiencies in hierarchy-based systems which have often driven preferences for the use of network and market forms of governance. These conditions have fostered a strong preference for shifts towards non-legal governance modes in many countries in recent years, with countries in the Anglo-American tradition usually preferring market forms of governance while others with more corporatist traditions often displaying a penchant for corporatist and networks hybrids (Meuleman 2009).

Lost in the pursuit of these ideologically preferred alternatives, however, is the understanding of whether or not a preferred governance mode can actually address a particular sector's problems. Instead of analyzing and understanding the specifics of the sector in question, the protagonists often simply extrapolate from idealized conceptions of

how non-hierarchical modes of governance might work in practice and then apply them across sectors regardless of the contexts in which they are being applied and the capacity pre-requisites of the mode of governance in question.

While some policy-makers may find the proclaimed superiority of the market and/or network alternatives convenient because it allows them to shed responsibility for difficult problems, thus reducing the scope for criticism of their performance, as the discussion above has shown all governance modes have Achilles heels, that is, areas in which they require a high level of policy capacity in order to perform well. If these critical capacity deficits are not taken into account then any short-term gain enjoyed by politicians pandering to contemporary political preferences are likely to be offset later when the consequences of governance failures and poor institutional design become apparent (Hood 2010, Weaver 1986).

Given that all governance modes are vulnerable to specific kinds of failures due to these inherent vulnerabilities, when governments reform or try to shift from one mode to the other modes, they need to understand : (1) the nature of the problem they are trying to address and the skills and resources they have at their disposal to address it, (2) the innate features of the different governances modes and the capabilities and competences each requires in order to operate at a high level of performance.

Endnotes

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[1] This claim is no more than an article of faith as there is little evidence supporting it and a lot of evidence contradicting this thesis (see Adger & Jordan, 2009; Howlett, Rayner and Tollefson 2009, Hysing, 2009; Kjær, 2004; Van Kersbergen & Van Waarden, 2004). It is entirely possible that network governance combines and indeed compounds the ill-effects of both governments and markets rather than improve upon them and this is a subject area requiring further empirical examination (Tunzelmann 2010). Regardless of the inconclusive intellectual debate on the subject, however, as a result of this layering of reform efforts many policy sectors in many countries are now 'hybrids' of 'metagovernance' styles (Meuleman 2010).

[2] Contemporary conceptions of leadership sees it less as related to charisma and more about coordinating group dynamics. As a British Cabinet Office (2001) report observed, "Research suggests that creating the appropriate climate within a team can account for approximately 30% of the variation in its performance and that the leader has a critical influence on this climate. About 70% of organisational climate is influenced by the styles (or consistent patterns of behaviour) a leader deploys in relating to others within the team." Groups exist in all

organizations at all levels and they function best when there is a commonly defined purpose and roles and expectations are broadly shared by members.

[3] Another vital function of the minister is to publicly defend the bureaucracy against possible criticisms when it is merely carrying out the government's policies. In the real world of public policy, the line between making and implementing policy is thin and porous as both are involved in different capacities in the entire policy process. Yet a defined operational space for each needs to be delineated and accepted.

[4] As early as 1999 the UK Cabinet Office (1999) recommended appointment of "policy researchers" in government agencies, establishment of "Centre for Evidence- Based Policy", and promotion of "knowledge networks" to gather, analyze and disseminate policy evidence. It further recommended enhanced training in public policy analysis for both political and bureaucratic officials. However, there is a shortage of people with the required analytical skills in public policy and administration who may be appointed. The recent proliferation of Master's programs in public policy and public administration is a welcome trend, but it will be a long time before these graduates will be significant in number to make a make a noticeable difference to the analytical capacity of governments.

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